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16 UNITED STATES DISTRICT COURT
17 CENTRAL DISTRICT OF CALIFORNIA
18 SOUTHERN DIVISION

19 JAMES TRIPOLI, Derivatively on
20 Behalf of QUESTCOR
21 PHARMACEUTICALS, INC.,

22 Plaintiff,

23 v.

24 DON M. BAILEY, MICHAEL H.
25 MULROY, STEPHEN L. CARTT,
26 DAVID YOUNG, DAVID J.
27 MEDEIROS, MITCHELL J. BLUTT,
28 VIRGIL D. THOMPSON, STEPHEN
C. FARRELL, NEAL C.
BRADSHER, LOUIS E.
SILVERMAN, and SCOTT M.
WHITCUP,

Defendants,

-and-

QUESTCOR PHARMACEUTICALS,
INC., a California corporation,

Nominal Defendant.

Case No.:

SACV12 - 01759 AG (MLGx)

VERIFIED SHAREHOLDER
DERIVATIVE COMPLAINT FOR
BREACH OF FIDUCIARY DUTY,
WASTE OF CORPORATE ASSETS,
AND UNJUST ENRICHMENT

DEMAND FOR JURY TRIAL

FILED
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CLERK U.S. DISTRICT COURT
CENTRAL DIST. OF CALIF.
SANTA ANA

NATURE OF THE ACTION

1
2 1. This is a shareholder derivative action brought on behalf of nominal
3 defendant Questcor Pharmaceuticals, Inc. ("Questcor" or the "Company") against
4 certain of its officers and directors seeking to remedy defendants' breaches of
5 fiduciary duties, waste of corporate assets, and unjust enrichment, that have caused
6 and will continue to cause substantial monetary losses to Questcor and other
7 damages, such as to its reputation and goodwill.

8 2. Questcor describes itself as a "biopharmaceutical company focused on
9 the treatment of patients with serious, difficult-to-treat autoimmune and
10 inflammatory disorders." Questcor essentially relies on one drug for its revenue,
11 H.P. Acthar® Gel ("Acthar"). Although approved for the treatment of nineteen
12 indications, Acthar is a first-line treatment¹ only for infantile spasms, a rare,
13 terrible seizure disorder that affects approximately 1,500 babies a year in the
14 United States.

15 3. This action concerns breaches of fiduciary duty by certain of the
16 Company's officers and directors, which culminated in them unloading hundreds of
17 millions of dollars' worth of their personally held Questcor stock at artificially
18 inflated prices on an unsuspecting public. As explained in greater detail below,
19 certain of the Individual Defendants (as defined herein) drove up the stock price of
20 Questcor by making improper statements about the purported broad effectiveness
21 of Acthar, the Company's primary product. In particular, defendants claimed that
22 the Company's rapidly increasing revenues was a sign of medical acceptance and
23 market penetration of Acthar for its nineteen approved indications, including
24 multiple sclerosis ("MS") and nephrotic syndrome ("NS"). In truth, the
25 prescription of Acthar for these indications was due to the Company's improper

26
27 ¹ First-line treatment refers to the initial or first treatment recommended for a
28 disease or illness.

1 sales and marketing campaign for Achthar, which pushed the drug despite the fact
2 that it was not the least expensive treatment and/or the most effective
3 treatment.^[2] This boost in Acthar's prescriptions and the Company's revenues was
4 only temporary, however, because, as defendants knew, insurance companies
5 would stop reimbursing for the use of Achtar for treatment of indications that it
6 was not the most effective alternative.

7 4. Defendants used their knowledge of the Company's true business
8 health and prospects to benefit themselves. While causing the Company to make
9 improper statements that inflated its stock price, certain of the Company's officers
10 and directors, including seven of the eleven Individual Defendants, were selling
11 over **\$107 million** worth of their stock in a massive and coordinated fashion.
12 Further, at the same time as these defendants were massively selling off their stock,
13 they caused the Company to repurchase \$185 million of its own stock on the basis
14 that it was undervalued.

15 5. This scheme began to unravel on September 14, 2012. On that day,
16 Aetna Inc. ("Aetna"), one of the nation's largest insurers, issued a Clinical Policy
17 Bulletin that severely limited reimbursement for Acthar and contained damaging
18 conclusions regarding the drug's efficacy. According to the Clinical Policy
19 Bulletin, Aetna had engaged in a review of the nineteen indications for which the
20 U.S. Food and Drug Administration ("FDA") had approved Acthar, and concluded
21 that ***clinical research supported only one of the nineteen indications***. Aetna
22 reported that studies suggested that the drug is only "medically necessary" for
23 infantile spasms, and not for other indications, such as MS and NS, that are treated
24 with steroids.

25
26 ^[2] Insurance companies, on which pharmaceutical companies like Questcor rely
27 upon for reimbursements, focus on whether a drug is the least expensive treatment
28 and/or the most effective alternative to determine whether to consider a drug
"medically necessary" and reimbursable.

1 6. Then, on September 24, 2012, the Company announced that the U.S.
2 government was investigating its sales and marketing tactics. While the Company
3 did not provide specifics with respect to the investigation, the investigation is
4 likely into whether the Company was paying kickbacks to doctors.

5 7. Upon disclosure of the Company's true business health and limited
6 financial outlook, Questcor's market capitalization plunged by almost 67%, erasing
7 more than \$2.3 billion in value. As a direct result of the Individual Defendants'
8 wrongdoing, the Company is now the subject of multiple securities class actions
9 ("Securities Class Actions") filed in the United States District Court for the Central
10 District of California on behalf of investors who purchased Questcor's shares. In
11 addition to the liability Questcor faces as a result of the U.S. government
12 investigation into its sales and marketing practices, these Securities Class Actions
13 pose the risk of billions of dollars in damages to the Company.

14 8. Plaintiff brings this action against the Individual Defendants to repair
15 the harm that they caused the Company and seeks disgorgement to the Company of
16 unlawful insider trading proceeds.

17 **JURISDICTION AND VENUE**

18 9. This Court has jurisdiction in this case over all causes of action
19 asserted herein pursuant to 28 U.S.C. §1332(a)(2) because plaintiff and defendants
20 are citizens of different states and the amount in controversy exceeds \$75,000,
21 exclusive of interest and costs. This action is not a collusive action designed to
22 confer jurisdiction on a court of the United States that it would not otherwise have.

23 10. This Court has jurisdiction over each defendant named herein because
24 each defendant is either a corporation that conducts business in and maintains
25 operations in this District, or is an individual who has sufficient minimum contacts
26 with this District to render the exercise of jurisdiction by the District courts
27 permissible under traditional notions of fair play and substantial justice.

28

11. Venue is proper in this Court in accordance with 28 U.S.C. §1391(a) because: (i) Questcor maintains its principal place of business in this District; (ii) one or more of the defendants either resides in or maintains executive offices in this District; (iii) a substantial portion of the transactions and wrongs complained of herein, including the defendants' primary participation in the wrongful acts detailed herein, and aiding and abetting and conspiracy in violation of fiduciary duties owed to Questcor, occurred in this District; and (iv) defendants have received substantial compensation in this District by doing business here and engaging in numerous activities that had an effect in this District.

THE PARTIES

Plaintiff

12. Plaintiff James Tripoli is a shareholder of Questcor and has continuously held stock since August 2008. Plaintiff is a citizen of Maryland.

Nominal Defendant

13. Nominal Defendant Questcor is a California corporation with its headquarters and principle executive offices located at 1300 North Kellogg Drive, Suite D, Anaheim, California. Thus, Questcor is a citizen of California. Questcor is a biopharmaceutical company that primarily relies on revenues associated with the sales of a drug called Acthar.² Questcor acquired the rights to Acthar from a company called Aventis Pharmaceutical Products, Inc. in 2001 for \$100,000. In 2003, Questcor obtained "orphan drug" status for Acthar for the treatment of infantile spasms, a rare disorder that causes spasms in infants and affects approximately one of every 3,500 live births. The FDA grants orphan drug status to a drug that treats a disease affecting fewer than 200,000 people. Orphan drug

² Questcor has a second product, Doral® (quazepam) ("Doral"), which is indicated for the treatment of insomnia. Questcor describes its sales of Doral as "immaterial."

status for an approved indication provides a company with seven years of marketing exclusivity, as well as tax incentives. In 2006, Questcor applied for approval to treat infantile spasms with Acthar. In August 2007, while the Company's application with the FDA was pending, Questcor raised the list price of Acthar from \$1,600 per vial to over \$23,000 per vial – an instant increase of well over 2,000%. In October 2010, the FDA approved Acthar as a treatment for infantile spasms.

Defendants

14. Defendant Don M. Bailey ("Bailey") is Questcor's President and Chief Executive Officer ("CEO") and has been since November 2007 and a director and has been since May 2006. Bailey is named as a defendant in the Securities Class Actions that allege he violated sections 10(b) and 20(a) of the Securities and Exchange Act of 1934 ("Exchange Act"). Bailey knowingly, recklessly, or with gross negligence: (i) made improper statements in the Company's press releases and public filings concerning the Company's business prospects, including, but not limited to, the effectiveness of and potential market growth for Acthar; (ii) caused Questcor to repurchase Company shares, and failed to halt the repurchases of shares, while Questcor's share price was artificially inflated as a result of improper statements regarding Questcor's business prospects; and (iii) failed to ensure that reliable systems of financial controls and reporting were in place at the Company. While in possession of material, non-public information concerning Questcor's true business health, Bailey sold 440,000 shares of his stock for \$17,718,533.36 in proceeds. Questcor paid Bailey the following compensation as an executive:

Year	Salary	Option Awards	Non-Equity Incentive Plan Compensation	Total
2011	\$584,875	\$2,628,815	\$1,332,540	\$4,546,230

Bailey is a citizen of California.

15. Defendant Michael H. Mulroy ("Mulroy") is Questcor's Senior Vice President, Chief Financial Officer ("CFO"), General Counsel, and Corporate Secretary and has been since January 2011. Mulroy is also Questcor's Principal Accounting Officer and has been since September 2011. Mulroy is named as a defendant in the Securities Class Actions that allege he violated sections 10(b) and 20(a) of the Exchange Act. Mulroy knowingly, recklessly, or with gross negligence: (i) made improper statements in the Company's press releases and public filings concerning the Company's business prospects, including, but not limited to, the effectiveness of and potential market growth for Acthar; and (ii) failed to ensure that reliable systems of financial controls and reporting were in place at the Company. Questcor paid Mulroy the following compensation as an executive:

Year	Salary	Option Awards	Non-Equity Incentive Plan Compensation	Total
2011	\$342,147	\$938,863	\$468,881	\$1,749,891

Mulroy is a citizen of California.

16. Defendant Stephen L. Cartt ("Cartt") is Questcor's Chief Operating Officer and has been since February 2012. Cartt was also Questcor's Chief Business Officer from February 2010 to February 2012 and an Executive Vice President from March 2005 to February 2012. Cartt is named as a defendant in the Securities Class Actions that allege he violated sections 10(b) and 20(a) of the Exchange Act. Cartt knowingly, recklessly, or with gross negligence: (i) made improper statements in the Company's press releases and public filings concerning the Company's business prospects, including, but not limited to, the effectiveness of and potential market growth for Acthar; and (ii) failed to ensure that reliable systems of financial controls and reporting were in place at the Company. While in possession of material, non-public information concerning Questcor's true

business health, Cartt sold 505,509 shares of his stock for \$16,215,281.15 in proceeds. Questcor paid Cartt the following compensation as an executive:

Year	Salary	Option Awards	Non-Equity Incentive Plan Compensation	Total
2011	\$389,917	\$1,126,635	\$781,756	\$2,298,308

Cartt is a citizen of California.

17. Defendant David Young ("Young") is Questcor's Chief Scientific Officer and has been since October 2009. Young is named as a defendant in the Securities Class Actions that allege he violated sections 10(b) and 20(a) of the Exchange Act. Young knowingly, recklessly, or with gross negligence: (i) made improper statements in the Company's press releases and public filings concerning the Company's business prospects, including, but not limited to, the effectiveness of and potential market growth for Acthar; and (ii) failed to ensure that reliable systems of financial controls and reporting were in place at the Company. While in possession of material, non-public information concerning Questcor's true business health, Young sold 175,124 shares of his stock for \$7,047,323.60 in proceeds. Questcor paid Young the following compensation as an executive:

Year	Salary	Option Awards	Non-Equity Incentive Plan Compensation	Total
2011	\$424,320	\$751,090	\$773,394	\$1,948,804

Young is a citizen of California.

18. Defendant David J. Medeiros ("Medeiros") is Questcor's Executive Vice President and Chief Technical Officer and has been since February 2012. Medeiros was also Questcor's Senior Vice President, Pharmaceutical Operations from February 2007 to February 2012 and Vice President, Manufacturing from June 2003 to February 2007. Medeiros knowingly, recklessly, or with gross negligence failed to ensure that reliable systems of financial controls and reporting were in place at the Company. While in possession of material, non-public information concerning Questcor's true business health, Medeiros sold 1,063,363

1 shares of his stock for \$35,378,781.87 in proceeds. Questcor paid Medeiros the
2 following compensation as an executive:

			Non-Equity Incentive Plan	
Year	Salary	Option Awards	Compensation	Total
2011	\$362,066	\$375,545	\$494,945	\$1,232,556

6 Medeiros is a citizen of California.

7 19. Defendant Mitchell J. Blutt ("Blutt") is a Questcor director and has
8 been since July 2010. Blutt is also a member of Questcor's Audit Committee and
9 has been since at least April 2011. Blutt knowingly or recklessly: (i) reviewed and
10 approved improper statements in the Company's press releases and public filings
11 concerning the Company's business prospects, including, but not limited to, the
12 effectiveness of and potential market growth for Acthar; (ii) caused Questcor to
13 repurchase Company shares, and failed to halt the repurchases of shares, while
14 Questcor's share price was artificially inflated as a result of improper statements
15 regarding Questcor's business prospects; and (iii) failed to ensure that reliable
16 systems of financial controls and reporting were in place at the Company. While
17 in possession of material, non-public information concerning Questcor's true
18 business health, Blutt sold 706,255 shares of his stock for \$25,162,724.77 in
19 proceeds. Questcor paid Blutt the following compensation as a director:

Year	Fees Paid in Cash	Option Awards	Total
2011	\$57,500	\$194,235	\$251,735

22 Blutt is a citizen of New York.

23 20. Defendant Virgil D. Thompson ("Thompson") is Questcor's Chairman
24 of the Board and has been since July 2007 and a director and has been since
25 January 1996. Thompson is a member of Questcor's Audit Committee and has
26 been since at least April 2011. In addition, Thompson is a member of the
27 Compliance Committee and has been since February 2012. Thompson knowingly
28 or recklessly: (i) reviewed and approved improper statements in the Company's

1 press releases and public filings concerning the Company's business prospects,
 2 including, but not limited to, the effectiveness of and potential market growth for
 3 Acthar; (ii) caused Questcor to repurchase Company shares, and failed to halt the
 4 repurchases of shares, while Questcor's share price was artificially inflated as a
 5 result of improper statements regarding Questcor's business prospects; and (iii)
 6 failed to ensure that reliable systems of financial controls and reporting were in
 7 place at the Company. While in possession of material, non-public information
 8 concerning Questcor's true business health, Thompson sold 167,500 shares of his
 9 stock for \$3,413,650 in proceeds. Questcor paid Thompson the following
 10 compensation as a director:

Year	Fees Paid in Cash	Option Awards	Total
2011	\$75,000	\$194,235	\$269,235

13 Thompson is a citizen of California.

14 21. Defendant Stephen C. Farrell ("Farrell") is a Questcor director and has
 15 been since November 2007. Farrell is also Chairman of Questcor's Audit
 16 Committee and has been since at least April 2011 and a member of the Compliance
 17 Committee and has been since February 2012. Farrell knowingly or recklessly: (i)
 18 reviewed and approved improper statements in the Company's press releases and
 19 public filings concerning the Company's business prospects, including, but not
 20 limited to, the effectiveness of and potential market growth for Acthar; (ii) caused
 21 Questcor to repurchase Company shares, and failed to halt the repurchases of
 22 shares, while Questcor's share price was artificially inflated as a result of improper
 23 statements regarding Questcor's business prospects; and (iii) failed to ensure that
 24 reliable systems of financial controls and reporting were in place at the Company.
 25 While in possession of material, non-public information concerning Questcor's true
 26 business health, Farrell sold 55,000 shares of his stock for \$2,353,622.64 in
 27 proceeds. Questcor paid Farrell the following compensation as a director:

Year	Fees Paid in Cash	Option Awards	Total
2011	\$65,000	\$252,506	\$317,506

Farrell is a citizen of Massachusetts.

22. Defendant Neal C. Bradsher ("Bradsher") is a Questcor director and has been since at March 2004. Bradsher knowingly or recklessly: (i) caused Questcor to repurchase Company shares, and failed to halt the repurchases of shares, while Questcor's share price was artificially inflated as a result of improper statements regarding Questcor's business prospects; and (ii) failed to ensure that reliable systems of financial controls and reporting were in place at the Company. Questcor paid Bradsher the following compensation as a director:

Year	Fees Paid in Cash	Option Awards	Total
2011	\$52,500	\$252,506	\$305,006

Bradsher is a citizen of New York.

23. Defendant Louis E. Silverman ("Silverman") is a Questcor director and has been since November 2009. Silverman knowingly or recklessly: (i) caused Questcor to repurchase Company shares, and failed to halt the repurchases of shares, while Questcor's share price was artificially inflated as a result of improper statements regarding Questcor's business prospects; and (ii) failed to ensure that reliable systems of financial controls and reporting were in place at the Company. Questcor paid Silverman the following compensation as a director:

Year	Fees Paid in Cash	Option Awards	Total
2011	\$60,000	\$252,506	\$312,506

Silverman is a citizen of California.

24. Defendant Scott M. Whitcup ("Whitcup") is a Questcor director and has been since February 2012. Whitcup is also Chairman of Questcor's Compliance Committee and has been since February 2012. Whitcup knowingly or recklessly: (i) caused Questcor to repurchase Company shares, and failed to halt the repurchases of shares, while Questcor's share price was artificially inflated as a

1 result of improper statements regarding Questcor's business prospects; and (ii)
2 failed to ensure that reliable systems of financial controls and reporting were in
3 place at the Company. Whitcup is a citizen of California.

4 25. The defendants identified in ¶¶14-18 are referred to herein as the
5 "Officer Defendants." The defendants identified in ¶¶14, 19-24 are referred to
6 herein as the "Director Defendants." The defendants identified in ¶¶19-21 are
7 referred to herein as the "Audit Committee Defendants." The defendants identified
8 in ¶¶20-21, 24 are referred to herein as the "Compliance Committee Defendants."
9 The defendants identified in ¶¶14, 16-21 are referred to herein as the "Insider
10 Selling Defendants." Collectively, the defendants identified in ¶¶14-24 are
11 referred to herein as the "Individual Defendants."

12 **DUTIES OF THE INDIVIDUAL DEFENDANTS**

13 **Fiduciary Duties**

14 26. By reason of their positions as officers, directors, and/or fiduciaries of
15 Questcor and because of their ability to control the business and corporate affairs
16 of Questcor, the Individual Defendants owed and owe Questcor and its
17 shareholders fiduciary obligations of trust, loyalty, good faith, and due care, and
18 were and are required to use their utmost ability to control and manage Questcor in
19 a fair, just, honest, and equitable manner. The Individual Defendants were and are
20 required to act in furtherance of the best interests of Questcor and its shareholders
21 so as to benefit all shareholders equally and not in furtherance of their personal
22 interest or benefit.

23 27. Each officer and director of the Company owes to Questcor and its
24 shareholders the fiduciary duty to exercise good faith and diligence in the
25 administration of the affairs of the Company and in the use and preservation of its
26 property and assets, and the highest obligations of fair dealing. In addition, as
27 officers and/or directors of a publicly held corporation, the Individual Defendants
28 had a duty to promptly disseminate accurate and truthful information with regard

1 to the Company's operations, performance, management, projections, and forecasts
2 so that the market price of the Company's stock would be based on truthful and
3 accurate information.

4 **Additional Duties of the Audit Committee Defendants**

5 28. In addition to these duties, under the Company's Audit Committee
6 Charter in effect since at least April 2009, Audit Committee Defendants Blutt,
7 Farrell, and Thompson owed specific duties to Questcor to review and approve the
8 Company's earnings press releases, guidance, and quarterly and annual financial
9 statements. Moreover, the Audit Committee Defendants were specially tasked
10 with assisting the Board with its oversight responsibilities regarding the Company's
11 compliance with legal and regulatory requirements.

12 **Additional Duties of the Compliance Committee Defendants**

13 29. Under the Company's Compliance Committee Charter in effect since
14 at least March 2012, Compliance Committee Defendants Farrell, Whitcup, and
15 Thompson owed specific duties to Questcor to monitor the Company's compliance
16 with "significant healthcare related" and "regulatory issues." Moreover, the
17 Compliance Committee Defendants were specifically tasked with reviewing the
18 status of the Company's "*compliance with U.S. pharmaceutical product*
19 *promotional rules and regulations*, including with respect to 'off-label' and other
20 product promotional activities, unapproved product uses, fair balance, product
21 safety claims, and *product superiority or efficacy claims*; product manufacturing
22 quality control; *clinical studies quality control*; and required reporting to the Food
23 and Drug Administration ("FDA")."

24 **Control, Access, and Authority**

25 30. The Individual Defendants, because of their positions of control and
26 authority as officers and/or directors of Questcor, were able to and did, directly
27 and/or indirectly, exercise control over the wrongful acts complained of herein, as
28 well as the contents of the various public statements issued by the Company.

1 31. Because of their advisory, executive, managerial, and directorial
2 positions with Questcor, each of the Individual Defendants had access to adverse,
3 non-public information about the financial condition, operations, and growth
4 prospects of Questcor. While in possession of this material, non-public
5 information, the Individual Defendants made improper representations concerning
6 the Company's business prospects, including, but not limited to, the effectiveness
7 of and potential market growth for Acthar.

8 32. At all times relevant hereto, each of the Individual Defendants was the
9 agent of each of the other Individual Defendants and of Questcor, and was at all
10 times acting within the course and scope of such agency.

11 **Reasonable and Prudent Supervision**

12 33. To discharge their duties, the officers and directors of Questcor were
13 required to exercise reasonable and prudent supervision over the management,
14 policies, practices, and controls of the financial affairs of the Company. By virtue
15 of such duties, the officers and directors of Questcor were required to, among other
16 things:

17 (a) refrain from acting upon material, inside corporate information
18 to benefit themselves;

19 (b) properly and accurately guide investors and analysts as to the
20 true financial condition of the Company at any given time, including making
21 accurate statements about the Company's financial health;

22 (c) ensure that the Company complied with its legal obligations
23 and requirements, including acting only within the scope of its legal authority and
24 disseminating truthful and accurate statements to the investing public;

25 (d) conduct the affairs of the Company in an efficient, business-like
26 manner so as to make it possible to provide the highest quality performance of its
27 business, to avoid wasting the Company's assets, and to maximize the value of the
28 Company's stock;

1 (e) ensure that the Company was operated in a diligent, honest, and
2 prudent manner in compliance with all applicable laws, rules, and regulations; and

3 (f) remain informed as to how Questcor conducted its operations,
4 and, upon receipt of notice or information of imprudent or unsound conditions or
5 practices, make reasonable inquiry in connection therewith, and take steps to
6 correct such conditions or practices and make such disclosures as necessary to
7 comply with securities laws.

8 **BREACHES OF DUTIES**

9 34. Each Individual Defendant, by virtue of his position as a director
10 and/or officer, owed to the Company and to its shareholders the fiduciary duty of
11 loyalty and good faith and the exercise of due care and diligence in the
12 management and administration of the affairs of the Company, as well as in the use
13 and preservation of its property and assets. The conduct of the Individual
14 Defendants complained of herein involves a knowing and culpable violation of
15 their obligations as officers and directors of Questcor, the absence of good faith on
16 their part, and a reckless disregard for their duties to the Company and its
17 shareholders that the Individual Defendants were aware or should have been aware
18 posed a risk of serious injury to the Company. The conduct of the Individual
19 Defendants who were also officers and/or directors of the Company have been
20 ratified by the remaining Individual Defendants who collectively comprised all of
21 Questcor's Board.

22 35. The Individual Defendants breached their duty of loyalty and good
23 faith by allowing defendants to cause, or by themselves causing, the Company to
24 issue improper statements about Acthar and by misrepresenting the Company's
25 financial results and prospects. The Individual Defendants also failed to prevent
26 the other Individual Defendants from taking such illegal actions. As a result of
27 defendants' illegal actions and course of conduct, Questcor is now the subject of a
28 U.S. government investigation into its promotional practices and multiple class

1 action lawsuits that allege violations of securities laws. As a result, Questcor has
2 expended, and will continue to expend, significant sums of money.

3 OVERVIEW

4 36. Acthar is used as a first-line treatment only for infantile spasms.
5 Despite this, defendants caused the Company to embark on an aggressive
6 campaign to transform its business model by expanding the use of Acthar for
7 indications where, although it was approved, it was not a medically necessary use.
8 The Company commercialized Acthar for treating MS in 2007, and NS in early
9 2011, and announced plans to commercialize Acthar in the treatment of
10 rheumatology-related indications in June 2012. Defendants caused the Company
11 to pursue this marketing campaign without the benefit of clinical studies showing
12 the efficacy of Acthar in comparison with the preferred steroid treatments.

13 37. As a result of this dramatic shift in business strategy, Questcor has
14 seen its net sales skyrocket from \$8.4 million in 2005, to \$49.8 million in 2007, to
15 \$218.2 million in 2011. Most of this growth was attributable to increased usage of
16 Acthar as a second-line treatment, with infantile spasms currently accounting for
17 only 6%-10% of the Company's revenues.

18 38. While successful in the short-term, this strategy was doomed to failure
19 as defendants were well aware that insurance companies would ultimately stop
20 reimbursing for the use of Acthar once they learned that there are other less
21 expensive and/or more effective alternatives for all the indications for which
22 Acthar is approved, except infantile spasms. Without reimbursements from
23 insurers, sales of Acthar would be crippled. Despite the fact that the defendants
24 operated an unsustainable business model that desperately relied on the improper
25 marketing of Acthar for indications outside of infantile spasms, they continued to
26 disseminate improper statements touting the Company's financial results and
27 business prospects.

IMPROPER STATEMENTS

39. The Individual Defendants' improper statements began on April 26, 2011. On that date, Questcor issued a press release announcing its first quarter 2011 financial results. The Company reported net income of \$11.2 million, or \$0.17 diluted earnings per share ("EPS"), and net sales of \$36.8 million for the first quarter of 2011. In this press release, defendant Bailey touted the efficacy of Acthar for treating MS and NS, and the effect this expansion of Acthar would have on the Company's business prospects. The press release stated in part:

"Our strategy to expand the sales force is clearly paying off," said Don M. Bailey, President and CEO of Questcor. "Paid MS prescriptions are up sharply from last quarter. March was a particularly strong month and this momentum has continued so far in April. *We believe that Acthar is filling an increasingly important role in the treatment of exacerbations associated with MS and, looking forward, we expect to continue to grow sales in this important therapeutic area.*"

Mr. Bailey added, "We are also encouraged by the early positive results from our small, dedicated nephrology sales team, which initiated selling efforts at the beginning of March. *The number of nephrologists who are using Acthar to treat patients with nephrotic syndrome is increasing.*"

40. After issuing its first quarter 2011 financial results on April 26, 2011, Questcor hosted a conference call for analysts, media representatives, and investors. During the call, defendants reiterated the record financial results reported in the Company's press release and defendant Mulroy discussed the Company's financial performance in depth. Defendants Bailey and Cartt discussed the Company's purported success due to the expansion of Acthar in treating MS and NS, stating in part:

1 [BAILEY:] In summary, we are off to a very good start this year as
 2 we continue to execute our straightforward strategy to sell more
 3 Acthar. *Our decision to expand the MS sales force is clearly paying*
 4 *off.* Also, *our nephrotic syndrome sales force is having some early*
 5 *success.*

6 * * *

7 *We believe this MS sales performance reflects the strong, underlying*
 8 *demand for Acthar.* This growth in demand is being driven by the
 9 increasing productivity of our expanded sales force. We believe net
 10 sales in the MS market are now about 60% of total Acthar net sales.

11 * * *

12 [CARTT:] *Our expanded promotional activities directed to*
 13 *neurologists generated significant growth in Acthar prescriptions*
 14 *for MS during the first quarter. During the quarter we shipped a*
 15 *record 508 paid Acthar prescriptions for the treatment of MS*
 16 *relapses.* This was an increase of 120% over the year ago period and
 17 44% over the previous quarter. We believe this performance is a
 18 strong signal that the sales force expansion has gained traction in the
 19 MS market at a faster rate than we expected.

20 41. On July 26, 2011, Questcor issued a press release announcing its
 21 second quarter 2011 financial results. The Company reported net income of \$13.9
 22 million, or \$0.21 diluted EPS, and net sales of \$46 million for the second quarter of
 23 2011. In this press release, defendant Bailey touted the Company's "terrific
 24 quarter," crediting "expanding the use of Acthar in the treatment of MS
 25 exacerbations" for the "record second quarter financial performance." The release
 26 stated in part:

27 "Clearly, Questcor had a *terrific quarter*," said Don M. Bailey,
 28 President and CEO of Questcor. *"Our focus on expanding the use of*

1 *Acthar in the treatment of MS exacerbations drove our record*
 2 *second quarter financial performance.* Importantly, in spite of the
 3 rapid expansion in the use of Acthar for MS exacerbations, we believe
 4 that the prescriber base can continue to grow. Accordingly, growing
 5 MS sales remains our number one priority. Also, following our early
 6 success in NS, we are immediately and substantially expanding our
 7 nephrology selling effort."

8 42. After issuing its second quarter 2011 financial results on July 26,
 9 2011, Questcor hosted a conference call for analysts, media representatives, and
 10 investors. During the call, defendants reiterated the record financial results
 11 reported in the Company's press release and defendant Mulroy discussed the
 12 Company's financial performance in depth. Additionally, defendant Cartt
 13 specifically discussed the alleged success of Acthar for the treatment of MS
 14 relapses, and stated that he expects "continued growth during 2011 and into 2012."
 15 Cartt represented as follows:

16 [CARTT:] *During the quarter we shipped a record 751 paid Acthar*
 17 *prescription for the treatment of MS relapses.* This was an increase
 18 of 147% over the year-ago period, and 48% over the previous quarter.
 19 We believe this performance is a strong signal that the sales force
 20 continues to gain traction in the MS market at a faster rate than we
 21 expected. *In addition to rapid growth, our trends at MS are all very*
 22 *good and indicate that we are building momentum in this key*
 23 *Acthar market.*

24 * * *

25 So, let's summarize. *We are very pleased with the robust MS*
 26 *prescription growth during the quarter and expect continued growth*
 27 *during 2011 and into 2012* as a result of the continued sustained sales
 28 call activity. Our early prescription trends in nephrology are

1 surprisingly strong and we are quickly expanding our sales capability
2 in MS, which will result in a dramatic increase in the number of
3 nephrologists that we can call on at the end of the third quarter, just
4 about two months away.

5 43. On October 25, 2011, Questcor issued a press release announcing its
6 third quarter 2011 financial results. The Company reported net income of \$22.9
7 million, or \$0.35 diluted EPS, and net sales of \$59.8 million for the third quarter of
8 2011. Moreover, defendant Cartt discussed the Company's growing sales and
9 marketing efforts, which were the primary drivers of "expanded usage of Acthar."
10 The press release stated in part:

11 "Our 77 person Specialty Sales Force continues to drive expanded
12 usage of Acthar as second-line therapy for MS exacerbations, a key
13 Acthar market," commented Steve Cartt, Executive Vice President
14 and Chief Business Officer. "Furthermore, during the third quarter we
15 completed the expansion of our Nephrology Sales Force from 5 to 28
16 representatives, with all new personnel being fully trained and making
17 initial sales calls by October 1st. Despite the inherent disruption
18 involved with this expansion, paid nephrotic syndrome *Acthar*
19 *prescriptions increased during the quarter. September was a*
20 *particularly strong month for both MS and NS sales.*"

21 44. After issuing its third quarter 2011 financial results on October 25,
22 2011, Questcor hosted a conference call for analysts, media representatives, and
23 investors. During the call, defendants reiterated the record financial results
24 reported in the Company's press release and defendant Mulroy discussed the
25 Company's financial performance in depth. Defendant Cartt further presented
26 statements on the conference call regarding Acthar's positive trends in the
27 Company's MS business, representing as follows:
28

1 [CARTT:] *[W]e shipped 886 paid Acthar prescription for the*
 2 *treatment of MS relapses during the third quarter of 2011. This was*
 3 *an increase of 174% over the year-ago period. In addition to strong*
 4 *script growth, other positive trends in our MS business indicate that*
 5 *we are building momentum in this key Acthar market.*

6 45. On January 11, 2012, *TheStreetSweeper.org* ("*StreetSweeper*"), a
 7 website noted for unearthing corporate fraud in public companies, announced that
 8 it had initiated a short position in Questcor. *StreetSweeper* further reported that it
 9 intended to issue the first article in a two-part investigative series about Questcor's
 10 marketing practices in the following week. According to *StreetSweeper*:

11 *The first article raises serious questions about the aggressive*
 12 *marketing practices that [Questcor] has used to generate explosive –*
 13 *but potentially unsustainable – growth in prescriptions for its only*
 14 *drug while the second story further examines QCOR's business*
 15 *practices, while taking a hard look at the leaders who have struck it*
 16 *rich as a result of the company's controversial growth strategy.*

17 46. On January 11, 2012, Questcor issued a press release entitled
 18 "Questcor Pharmaceuticals Issues Statement," which attempted to refute the claims
 19 raised by *StreetSweeper* and defend the Company's business practices. The press
 20 release stated:

21 Questcor Pharmaceuticals, Inc. today announced it became aware that
 22 an investor blog is preparing to issue a report regarding the
 23 Company's marketing and business practices. Questcor issued the
 24 following statement:

25 *The Company believes that its marketing and business practices are*
 26 *consistent with regulatory requirements and industry standard*
 27 *practices.* Questcor markets H.P. Acthar® Gel for the treatment of
 28 acute exacerbations of multiple sclerosis (MS) in adults, the treatment

1 of nephrotic syndrome, and the treatment of infantile spasms in
2 children under two years of age. The Company maintains a
3 compliance program, which is led by an experienced compliance
4 officer and includes the active participation of Questcor's executive
5 management team. Questcor attributes its success to the ability of
6 Acthar to potentially address the unmet medical need associated with
7 MS exacerbations and nephrotic syndrome. *The Company is*
8 *committed to providing access to Acthar to patients who need it, and*
9 *marketing Acthar in accordance with regulatory requirements and*
10 *industry standard practices.* Questcor plans to speak with the
11 publication to discuss the Company and its marketing and business
12 practices.

13 47. *StreetSweeper* issued the first article in its two-part investigative
14 series about Questcor's business practices on January 24, 2012. The second article
15 was released three days later on January 27, 2012. Both of these *StreetSweeper*
16 articles shed light on the defendants' improper marketing practices relating to
17 expanding the use of Acthar for treating indications outside of infantile spasms.
18 Moreover the *StreetSweeper* articles highlighted the fact that defendants caused the
19 Company to completely and utterly disregard "regulatory requirements and
20 industry standard practices." The *StreetSweeper* articles even quoted an industry
21 veteran who resigned from the Company as stating:

22 *"It was 'anything for a referral.' I heard that multiple times. The*
23 *attitude there was: 'We're small. We're under the radar. And until we*
24 *get caught, we're going to do anything we want.' That's why I left.*
25 *They've got this cavalier attitude about one of the most highly*
26 *regulated industries in the country."*

27 48. After issuing its fourth quarter and full year 2011 financial results on
28 February 22, 2012, Questcor hosted a conference call for analysts, media

1 representatives, and investors. During the call, defendants Bailey refuted the
2 serious allegations raised in the *StreetSweeper* articles and portrayed the claims as
3 being made by a short seller. Bailey stated, in part:

4 Before providing a little overall perspective on the value drivers for
5 Questcor, *I wanted to briefly address some of the rumors that we are*
6 *being told are being spread by members of the short selling*
7 *community.*

8
9 First was the rumor that we canceled the RBC conference due to bad
10 news we did not want to share. Actually, we canceled the RBC
11 conference because we were double-booked with the Citi conference.
12 We presented at the Leerink conference last week and will present
13 again next Monday, February 27, at the Citi conference. *The next*
14 *rumor was that Questcor was the subject or soon to become the*
15 *subject of one or more government investigations. In reality, we*
16 *have no knowledge of any government investigation.* We have not
17 been contacted by any government agency regarding an actual or
18 potential investigation. *Furthermore, our recent compliance review*
19 *found no violations of policy, guidance, or law.* The third rumor is
20 that our success is due to just a couple of docs writing Acthar scripts.
21 Actually, *as we continue to educate physicians on how Acthar works*
22 *to treat serious medical conditions, the number of physicians*
23 *prescribing Acthar continues to grow.* This number has more than
24 doubled year-over-year, results in almost 900 doctors writing almost
25 1,800 Acthar prescriptions in the fourth quarter.

26
27 This associated rumor is that only a few reps are making sales.
28 Actually all MS reps generate scripts and three-quarters of all Acthar

1 MS reps met or exceeded their goal in Q4. *We have also heard the*
2 *rumor that insurance companies are stopping their coverage of*
3 *Acthar for nephrotic syndrome. As Steve reported, coverage of*
4 *Acthar for nephrotic syndrome continues to be above 85%.* And we
5 are asked about the rumor that our accounts receivable is up because
6 payers have stopped approving Acthar. Accounts receivable are up
7 mainly because sales are up. The day after the 8-K with our Leerink
8 Swann investor conference presentation was filed, \$13 million in
9 checks were received and cleared payment. Payers do not pay us
10 directly, so insurance issues would not affect AR in any case. There
11 have been other rumors as well, but in the interest of time, I will not
12 attempt to cover all of them. I think you get the idea.

13 49. Additionally, in that same February 22, 2012 conference call,
14 defendant Bailey assured investors that the Company's business model would lead
15 to sustainable growth:

16 [BAILEY:] *As we look ahead to 2012 and beyond, we believe we*
17 *can sustainably grow our Business* due to three key factors. First,
18 Acthar provides benefits to many difficult to treat patients not
19 responding to other treatments. Second, our market penetration in
20 terms of the total number of neurologists and nephrologists
21 prescribing Acthar, while growing, remains relatively small. And
22 third, we have assembled an excellent, experienced commercial team
23 to pursue our growth plan. Our focus remains on helping patients with
24 serious, difficult to treat medical conditions.

25 50. After issuing its first quarter 2012 financial results on April 24, 2012,
26 Questcor hosted a conference call for analysts, media representatives, and
27 investors. During the call, defendants reiterated the Company's record financial
28 results and defendant Mulroy discussed the Company's financial performance in

1 depth. Moreover, during the call, defendant Cartt touted the "continued strong
2 coverage" by insurance for Acthar prescriptions used to treat NS, representing as
3 follows:

4 [CARTT:] *Insurance reimbursements for Acthar in nephrotic*
5 *syndrome continues to be very good, with more than 85% of private*
6 *insurance prescriptions covered. We attribute this continued strong*
7 *coverage to the severity of the health outcome if nephrotic syndrome*
8 *is not adequately treated, coupled with the fact that Acthar is*
9 *indicated and approved in this condition*, and there are few other
10 treatment options. Further supporting both coverage and prescribing
11 activity is the ongoing flow of positive results coming from the
12 various studies we are funding. In fact, data from one study at the
13 University of Toronto, is being presented just this week at the
14 Canadian nephrology society annual meeting. This particular study
15 found that about two-thirds of patients with nephrotic syndrome due
16 to idiopathic membranous nephropathy, had their proteinuria drop by
17 50% or more, due to Acthar treatment.

18 51. On July 10, 2012, *CitronResearch.com* ("Citron") issued an in-depth
19 research report regarding Questcor. *Citron* expanded on the *StreetSweeper* articles
20 and further raised concerns about the Company's marketing strategy. The report
21 questioned whether there was credible scientific data to support Questcor's
22 aggressive strategy to expand the use of Acthar for indications other than infantile
23 spasms. In addition, the research report analyzed the Company's marketing
24 expenses and questioned how the drug was being marketed to doctors. The *Citron*
25 report further condemned Questcor for the lack of any meaningful research and
26 development being engaged in by the biopharmaceutical company. The report
27 noted: "*Just the insider selling over the last year represents more cash than*
28 *Questcor has spent on research and development over its entire lifespan.*" The

1 research report was not only critical of the amount of insider selling over the past
2 year but it was also critical about its timing given the Company was buying back
3 large amounts of Company stock at the same time the insiders were selling their
4 shares.

5 52. Despite the serious allegations raised in the *Citron* report, defendants
6 caused Questcor to ignore the claims and continue reporting the Company's record
7 financial results. As a result, Questcor's stock continued to be artificially inflated.

8 53. On July 24, 2012, Questcor issued a press release announcing its
9 second quarter 2012 financial results. The Company reported net income of \$41.5
10 million, or \$0.65 diluted EPS, and net sales of \$112.5 million for the second
11 quarter of 2012. Defendant Bailey touted the fact that the Company "surpassed
12 \$100 million in quarterly net sales for the first time in [its] history." The release
13 stated in part:

14 *"In the second quarter, we surpassed \$100 million in quarterly net*
15 *sales for the first time in our history,"* said Don M. Bailey, President
16 and CEO of Questcor. "Our strong financial results were driven by
17 increasing usage of Acthar among nephrologists and neurologists.
18 With the expansion of our Nephrology Sales Force now complete, the
19 expansion of our Neurology Sales Force nearing completion, and the
20 initial detailing effort of a small sales force in Rheumatology just
21 getting started, we are optimistic about the potential for Acthar to help
22 an increasing number of patients with serious, difficult-to-treat
23 autoimmune and inflammatory disorders."

24 54. After issuing its second quarter 2012 financial results on July 24,
25 2012, Questcor hosted a conference call for analysts, media representatives, and
26 investors. During the call, defendants reiterated the record financial results
27 reported in the Company's press release and defendant Mulroy discussed the
28 Company's financial performance in depth. Additionally, during the call,

1 defendant Bailey touted the fact that the Company "doubled the number of shipped
2 vials in the quarter, more than doubled net sales, and tripled earnings from the year
3 ago quarter." Furthermore, defendant Cartt discussed the Company's expanded
4 sales forces to market Acthar and the "continued excellent Acthar insurance
5 coverage for MS relapse." Bailey and Cartt represented as follows:

6 [BAILEY:] We made significant progress with our business in the
7 last three months. Financial performance again improved. We almost
8 *doubled the number of shipped vials in the quarter, more than*
9 *doubled net sales, and tripled earnings from the year-ago quarter.*
10 Paid scripts increased for both nephrotic syndrome and MS. *We*
11 *expanded two sales forces and started building a third sales force in*
12 *Rheumatology, using the same formula that worked so well with MS*
13 *and nephrotic syndrome.* And, we also made good progress in both
14 our science and compliance programs.

15 * * *

16 [CARTT:] Our year-over-year growth in MS paid scripts is due to
17 positive patient outcomes, increasing awareness about how Acthar can
18 help patients who are not fully benefiting from other therapies,
19 *continued excellent Acthar insurance coverage for MS relapse,* and
20 the increasing productivity of our MS commercial team.

21 REASONS THE STATEMENTS WERE IMPROPER

22 55. The statements referenced above were each improper when made
23 because they failed to disclose and misrepresented the following material, adverse
24 facts, which the Individual Defendants knew, consciously disregarded, or were
25 reckless in not knowing:

26 (a) Questcor lacked clinical evidence to support the use of Acthar
27 for indications other than infantile spasms;
28

1 (b) The defendants had caused Questcor to engage in improper
2 promotional practices in relation to the sale and use of Acthar in the treatment of
3 MS and NS; and

4 (c) Questcor and its officers and/or directors lacked a reasonable
5 basis to make positive statements and projections about the Company or its
6 outlook, including statements about the effectiveness of, and/or potential market
7 growth for, Acthar in light of: (i) the lack of clinical data supporting the use of
8 Acthar for anything but the treatment of infantile spasms; and (ii) the Company's
9 improper, and possibly illegal, sales practices.

10 THE TRUTH IS REVEALED

11 56. On September 14, 2012, Aetna, one of the nation's largest insurers,
12 issued a Clinical Policy Bulletin concerning Acthar. The Clinical Policy Bulletin
13 severely limited reimbursement for Acthar and contained damaging conclusions
14 regarding the drug's efficacy. Indeed, according to the Clinical Policy Bulletin,
15 Aetna had engaged in a review of the nineteen indications for which the FDA had
16 approved Acthar, and concluded that *clinical research supported only one of the*
17 *nineteen indications*. Aetna reported that studies suggested that the drug is only
18 "medically necessary" for infantile spasms, and not for other indications, such as
19 MS and NS, that are treated with steroids.

20 57. Cynthia Michener, an Aetna spokesperson, provided further
21 explanation regarding Aetna revising its position on Acthar. She stated that "Our
22 previous position was that this was a last-resort treatment.... *We now state that it*
23 *is not medically necessary because there is no clinical evidence that the drug is*
24 *more effective than steroids.*"

25 58. Aetna's Clinical Policy Bulletin has major, negative financial
26 implications for Questcor because Aetna, like most other insurers, typically only
27 reimburses for drugs when they are deemed medically necessary. This is
28 especially damaging to Questcor given that the Company's financial future, growth

1 prospects, and stock price were all predicated on the use of Acthar to treat diseases
2 other than infantile spasms.

3 59. The Clinical Policy Bulletin was disclosed in a September 19, 2012
4 follow-up report by *Citron* and, not surprisingly, the market's reaction was swift
5 and brutal. Questcor's stock plummeted \$24.16 per share to close that day at
6 \$26.25 per share, a one-day decline of nearly 48% on high volume.

7 60. The bad news did not, however, end with Aetna. On September 24,
8 2012, Questcor announced in a Form 8-K filed with the U.S. Securities and
9 Exchange Commission ("SEC") that the U.S. government had initiated an
10 investigation into the Company's promotional practices. On this news, Questcor's
11 stock dropped \$11.05 per share to close at \$19.08 per share, a decline of 37% on
12 high volume.

13 61. While the Company did not provide specifics with respect to the U.S.
14 government investigation, some analysts speculated that the Company was paying
15 kickbacks to doctors. As stated by Roth Capital Partners in an analyst report
16 published on September 24, 2012:

17 Although the company is still learning the details of the full nature of
18 the investigation, *we believe the possible scope, based on our prior*
19 *experience, could potentially be 1) off-label (or false claim)*
20 *marketing or 2) kick-backs taking place during the process.*

21 That same day, ThinkEquity LLC stated the following in an analyst report:

22 Given the 19 labeled indications we would be surprised to see off-
23 label marketing for this drug. *Is it possible that QCOR has been*
24 *providing a too-high honorarium to high prescribing doctors which*
25 *has the appearance of "paying for Rx's"?*

26 THE IMPROPER REPURCHASES

27 62. While the Individual Defendants made improper statements and failed
28 to disclose material facts that had the effect of maintaining the Company stock

1 artificially inflated, defendants Bailey, Blutt, Thompson, Farrell, Bradsher,
2 Silverman, and Whitcup authorized and implemented multiple repurchases of the
3 Company's stock at these artificially inflated rates. Despite knowing or recklessly
4 disregarding the fact that the value of the Company was inflated due to the
5 improper statements concerning the Company's business prospects, including, but
6 not limited to, the effectiveness of and potential market growth for Acthar, these
7 defendants either directed or permitted the Company to materially overpay for its
8 own stock through the repurchases detailed herein.³

9 63. From March 2012 to June 2012, defendants Bailey, Blutt, Thompson,
10 Farrell, Bradsher, Silverman, and Whitcup caused the Company to repurchase
11 approximately 4,528,354 shares of its stock at a staggering aggregate cost to the
12 Company of over \$185 million. The purchases of the Company's stock were at
13 artificially inflated prices as a result of the improper statements, press releases, and
14 filings with the SEC that failed to disclose material information regarding the
15 Company business prospects, including, but not limited to the effectiveness of and
16 potential market growth for Acthar.

17 64. Despite defendants Bailey, Blutt, Thompson, Farrell, Bradsher,
18 Silverman, and Whitcup's knowledge of the true facts about the improper
19 marketing of Acthar and the Company's resulting temporary and unsustainable
20 financial success, they did not halt the Company's purchases and continued to
21

22
23 ³ On February 29, 2008, Robert J. Rubin and defendants Bailey, Bradsher, Farrell,
24 Thompson, and Young approved a stock repurchase plan that provided for the
25 repurchase of up to seven million shares of Questcor common stock. On May 29,
26 2009, defendants Bailey, Bradsher, Farrell, Thompson, and Young increased the
27 stock repurchase plan by an additional 6.5 million shares. On May 9, 2012,
28 defendants Bailey, Blutt, Bradsher, Farrell, Silverman, Thompson, and Whitcup
increased the stock repurchase plan by an additional five million shares. This
stock repurchase program did not have an expiration date and could have been
limited or terminated at any time by the Board without prior notice.

allow the Company to purchase shares at artificially inflated prices. Bailey, Blutt, Thompson, Farrell, Bradsher, Silverman, and Whitcup's decision was not the product of a valid business judgment.

65. Under defendants Bailey, Blutt, Thompson, Farrell, Bradsher, Silverman, and Whitcup's purview, the Company bought back its shares at a weighted average price of \$40.87. Tellingly, the weighted average repurchase price was over twice as high as Questcor's share price of \$19.08 on September 24, 2012, when the truth about the defendants' unsustainable business model was revealed. The following chart illustrates the average prices paid for the Company's common stock during the repurchase period:

February 2008 Repurchase Program	Period	Shares Repurchased	Average Price Per Share	Approximate Aggregate Cost	Source	File Date
	No Expiration				8K	3/4/2008
	Apr-11	-	-	-	10Q	10/27/2011
	May-11	-	-	-	10Q	10/27/2011
	Jun-11	-	-	-	10Q	10/27/2011
	Jul-11	-	-	-	10Q	10/27/2011
	Aug-11	-	-	-	10Q	10/27/2011
	Sep-11	-	-	-	10Q	10/27/2011
	Oct-11	-	-	-	10K	2/22/2012
	Nov-11	-	-	-	10K	2/22/2012
	Dec-11	-	-	-	10K	2/22/2012
	Jan-12	-	-	-	10Q	4/26/2012
	Feb-12	-	-	-	10Q	4/26/2012
	Mar-12	798,285	\$36.31	\$28,985,728	10Q	4/26/2012
	Apr-12	914,500	\$43.77	\$40,027,665	10Q	7/25/2012
	May-12	2,751,080	\$41.25	\$113,482,050	10Q	7/25/2012
	Jun-12	64,489	\$40.25	\$2,595,682	10Q	7/25/2012
Total:		4,528,354		\$185,091,126		

66. Because the price of Questcor's shares was artificially inflated by way of the Individual Defendants' concealment and misrepresentations, the Company materially overpaid for its own stock. The stock purchases falsely signaled to Questcor's shareholders and the public that the purchase of the Company's stock at those prices was the best use of Questcor's cash. Thus, defendants Bailey, Blutt,

1 Thompson, Farrell, Bradsher, Silverman, and Whitcup breached their fiduciary
2 duties and committed corporate waste by causing Questcor to purchase over \$185
3 million of its own shares at artificially inflated prices.

4 **INSIDER SELLING**

5 67. The Individual Defendants' knowledge of the true health of Questcor's
6 business prospects and the ticking time clock until they would no longer be able to
7 successfully market Acthar for indications other than infantile spasms is also
8 shown in certain Questcor officers' and directors' sales of personally-held stock.
9 At the same time that they were causing the Company to repurchase Questcor
10 stock at artificially inflated prices, the Insider Selling Defendants, Medeiros, Blutt,
11 Bailey, Cartt, Young, Thompson, and Farrell, were privy to adverse, non-public
12 information which they exploited for their own benefit, to the exclusion of other
13 shareholders, by selling their Company stockholdings before the truth came to
14 light. While continuously making or causing the Company to make improper
15 statements touting its business prospects, certain officers and directors sold
16 massive amounts of Company stock in order to capitalize on the Company's
17 inflated stock price that they had helped create.

18 68. As Questcor's Executive Vice President and Chief Technical Officer,
19 defendant Medeiros was a member of the Company's management. He was privy
20 to material, non-public information about the limits to the effectiveness of, and
21 potential market growth for, Acthar. Medeiros engaged in insider trading activity
22 at a time when he knew adverse material, non-public information that would
23 directly affect the Company's bottom line.

24 69. While in possession of this knowledge, defendant Medeiros sold
25 1,063,363 shares of his personally held Questcor stock for proceeds of
26 \$35,378,781.87. Medeiros' sales are particularly suspicious given that his stock
27 sales during the period tainted by improper statements represented over 99% of his
28 holdings, as demonstrated by the chart below. Furthermore, Medeiros' sales are

also suspicious considering that he did not sell any of his stock in the same amount of time prior to the start of the wrongdoing detailed herein.

Shares Sold During SP	1,063,363
Shares Remaining After Sales	7,439
Total Shares Before Sales	1,070,802
Total Proceeds from Sales	\$35,378,781.87
% of Total Ownership Sold During SP	99.31%

70. As a director of Questcor, defendant Blutt was a member of the Company's Board. He was privy to material, non-public information about the limits to the effectiveness of, and potential market growth for, Acthar. Blutt engaged in insider trading activity at a time when he knew adverse material, non-public information that would directly affect the Company's bottom line.

71. While in possession of this knowledge, defendant Blutt sold 706,255 shares of his personally held Questcor stock for proceeds of \$25,162,724.77. Blutt's sales are suspicious given that his stock sales during the period tainted by improper statements represented over 76% of his holdings, as demonstrated by the chart below. Furthermore, Blutt's sales are also suspicious considering that he did not sell any of his stock in the same amount of time prior to the start of the wrongdoing detailed herein.

Shares Sold During SP	706,255
Shares Remaining After Sales	220,000
Total Shares Before Sales	926,255
Total Proceeds from Sales	\$25,162,724.77
% of Total Ownership Sold During SP	76.25%

72. As Questcor's CEO, President, and a director, defendant Bailey was a member of the Company's management and Board. He was privy to material, non-public information about the limits to the effectiveness of, and potential market growth for, Acthar. Bailey engaged in insider trading activity at a time when he knew adverse material, non-public information that would directly affect the Company's bottom line.

73. While in possession of this knowledge, defendant Bailey sold 440,000 shares of his personally held Questcor stock for proceeds of \$17,718,533.35. Bailey's sales are suspicious given that his stock sales during the period tainted by improper statements represented almost 75% of his holdings as demonstrated by the chart below. Furthermore, Bailey's sales are also suspicious considering that he did not sell any of his stock in the same amount of time prior to the start of the wrongdoing detailed herein.

Shares Sold During SP	440,000
Shares Remaining After Sales	147,422
Total Shares Before Sales	587,422
Total Proceeds from Sales	\$17,718,533.35
% of Total Ownership Sold During SP	74.90%

74. As Questcor's Chief Operating, Chief Business Officer, and an Executive Vice President, defendant Cartt was a member of the Company's management. He was privy to material, non-public information about the limits to the effectiveness of, and potential market growth for, Acthar. Cartt engaged in insider trading activity at a time when he knew adverse material, non-public information that would directly affect the Company's bottom line.

75. While in possession of this knowledge, defendant Cartt sold 505,509 shares of his personally held Questcor stock for proceeds of \$16,215,281.15. Cartt's sales are suspicious given that his stock sales during the period tainted by improper statements represented over 86% of his holdings as demonstrated by the chart below. Furthermore, Cartt's sales are also suspicious considering that he did not sell any of his stock in the same amount of time prior to the start of the wrongdoing detailed herein.

Shares Sold During SP	505,509
Shares Remaining After Sales	78,198
Total Shares Before Sales	583,707
Total Proceeds from Sales	\$16,215,281.15
% of Total Ownership Sold During SP	86.60%

76. As Questcor's Chief Scientific Officer, defendant Young was a member of the Company's management. He was privy to material, non-public information about the limits to the effectiveness of, and potential market growth for, Acthar. Young engaged in insider trading activity at a time when he knew adverse material, non-public information that would directly affect the Company's bottom line.

77. While in possession of this knowledge, defendant Young sold 175,124 shares of his personally held Questcor stock for proceeds of \$7,047,323.60. Young's sales are particularly suspicious given that his stock sales during the period tainted by improper statements represented over 92% of his holdings as demonstrated by the chart below:

Shares Sold During SP	175,124
Shares Remaining After Sales	13,903
Total Shares Before Sales	189,027
Total Proceeds from Sales	\$7,047,323.60
% of Total Ownership Sold During SP	92.64%

78. As a director of Questcor, defendant Thompson was a member of the Company's Board. He was privy to material, non-public information about the limits to the effectiveness of, and potential market growth for, Acthar. Thompson engaged in insider trading activity at a time when he knew adverse material, non-public information that would directly affect the Company's bottom line.

79. While in possession of this knowledge, defendant Thompson sold 167,500 shares of his personally held Questcor stock for proceeds of \$3,413,650. Thompson's sales are particularly suspicious given that his stock sales during the period tainted by improper statements represented over 91% of his holdings as demonstrated by the chart below:

Shares Sold During SP	167,500
Shares Remaining After Sales	15,000
Total Shares Before Sales	182,500
Total Proceeds from Sales	\$3,413,650.00
% of Total Ownership Sold During SP	91.78%

80. As a director of Questcor, defendant Farrell was a member of the Company's Board. He was privy to material, non-public information about the limits to the effectiveness of, and potential market growth for, Acthar. Farrell engaged in insider trading activity at a time when he knew adverse material, non-public information that would directly affect the Company's bottom line.

81. While in possession of this knowledge, defendant Farrell sold 55,000 shares of his personally held Questcor stock for proceeds of \$2,353,622.64. Farrell's sales are suspicious given that his stock sales during the period tainted by improper statements represented over 86% of his holdings as demonstrated by the chart below. Furthermore, Farrell's sales are also suspicious considering that he did not sell any of his stock in the same amount of time prior to the start of the wrongdoing detailed herein.

Shares Sold During SP	55,000
Shares Remaining After Sales	8,750
Total Shares Before Sales	63,750
Total Proceeds from Sales	\$2,353,622.64
% of Total Ownership Sold During SP	86.27%

82. Combined, defendants Mederios, Blutt, Bailey, Cartt, Young, Thompson, and Farrell sold over \$107 million worth of their Company stock while misleading investors about the Company's business prospects. The following is a table showing the total insider sales that occurred during the period:

Insider Last Name	Transaction Date	Shares	Price	Proceeds
BAILEY	8/25/2011	19,800	\$26.04	\$515,592.00
	8/25/2011	10,200	\$26.99	\$275,298.00
	9/12/2011	6,299	\$25.28	\$159,238.72
	9/12/2011	8,353	\$26.26	\$219,349.78
	9/12/2011	8,433	\$27.25	\$229,799.25
	9/12/2011	6,415	\$28.09	\$180,197.35
	9/12/2011	500	\$28.90	\$14,450.00
	10/10/2011	7,200	\$31.43	\$226,296.00
	10/10/2011	22,800	\$32.45	\$739,860.00
	11/10/2011	29,900	\$41.07	\$1,227,993.00
	11/10/2011	100	\$41.81	\$4,181.00
	12/9/2011	4,500	\$43.18	\$194,310.00
	12/9/2011	23,882	\$44.16	\$1,054,629.12

1		12/9/2011	1,618	\$44.94	\$72,712.92
		1/10/2012	30,000	\$41.87	\$1,256,100.00
2		2/10/2012	12,300	\$34.59	\$425,457.00
		2/10/2012	17,700	\$34.97	\$618,969.00
3		3/9/2012	18,900	\$35.31	\$667,359.00
		3/9/2012	10,300	\$36.17	\$372,551.00
4		3/9/2012	800	\$36.87	\$29,496.00
		4/10/2012	30,000	\$40.92	\$1,227,600.00
5		5/10/2012	15,000	\$39.65	\$594,750.00
		5/10/2012	15,000	\$39.66	\$594,900.00
6		6/11/2012	15,000	\$45.37	\$680,541.00
		6/11/2012	15,000	\$45.37	\$680,604.00
7		7/10/2012	3,339	\$57.89	\$193,297.38
8		7/10/2012	11,661	\$57.71	\$672,907.33
		7/10/2012	15,000	\$57.61	\$864,172.50
9		8/27/2012	20,000	\$43.07	\$861,416.00
		8/27/2012	20,000	\$43.07	\$861,320.00
10		9/13/2012	28,077	\$50.08	\$1,406,042.81
		9/13/2012	11,923	\$50.08	\$597,143.19
11			440,000		\$17,718,533.35
12	BLUTT	9/12/2011	370,000	\$26.13	\$9,668,655.00
13		11/15/2011	150,000	\$43.94	\$6,591,000.00
		5/3/2012	79,952	\$43.95	\$3,513,890.40
14		5/4/2012	11,573	\$42.69	\$494,051.37
		7/2/2012	70,000	\$53.11	\$3,717,980.00
15		9/4/2012	14,730	\$47.60	\$701,148.00
		9/4/2012	10,000	\$47.60	\$476,000.00
16			706,255		\$25,162,724.77
17	CARTT	5/13/2011	70,400	\$22.73	\$1,600,192.00
18		5/16/2011	79,087	\$22.04	\$1,743,077.48
		8/4/2011	25,513	\$30.17	\$769,727.21
19		8/10/2011	25,000	\$31.00	\$775,000.00
		8/11/2011	60,968	\$31.00	\$1,890,008.00
20		8/11/2011	25,000	\$31.19	\$779,750.00
		8/15/2011	14,032	\$31.50	\$442,008.00
21		8/15/2011	33,123	\$31.50	\$1,043,374.50
22		10/28/2011	139,286	\$41.36	\$5,760,868.96
		10/31/2011	25,000	\$42.60	\$1,065,000.00
23		11/8/2011	8,100	\$42.75	\$346,275.00
			505,509		\$16,215,281.15
24	FARRELL	11/16/2011	15,918	\$43.21	\$687,816.78
25		11/16/2011	14,082	\$43.73	\$615,805.86
		4/19/2012	25,000	\$42.00	\$1,050,000.00
26			55,000		\$2,353,622.64
27	MEDEIROS	4/29/2011	204,841	\$20.36	\$4,170,562.76
28		5/2/2011	80,372	\$20.70	\$1,663,700.40
		5/3/2011	4,500	\$20.38	\$91,710.00

	5/12/2011	115,128	\$22.07	\$2,540,874.96
	8/3/2011	94,500	\$31.18	\$2,946,510.00
	10/28/2011	147,756	\$41.55	\$6,139,261.80
	10/31/2011	55,221	\$42.26	\$2,333,639.46
	10/31/2011	7,248	\$42.65	\$309,127.20
	11/5/2011	180,189	\$42.57	\$7,670,645.73
	11/11/2011	123,036	\$42.98	\$5,288,087.28
	11/14/2011	50,572	\$43.99	\$2,224,662.28
		1,063,363		\$35,378,781.87
THOMPSON	4/29/2011	167,500	\$20.38	\$3,413,650.00
		167,500		\$3,413,650.00
YOUNG	8/5/2011	10,000	\$28.50	\$285,000.00
	8/12/2011	9,208	\$32.00	\$294,656.00
	8/12/2011	100	\$32.00	\$3,200.00
	8/15/2011	5,792	\$32.00	\$185,344.00
	8/15/2011	300	\$32.00	\$9,600.00
	10/31/2011	75,000	\$41.03	\$3,077,250.00
	10/31/2011	4,724	\$41.40	\$195,573.60
	4/27/2012	70,000	\$42.81	\$2,996,700.00
		175,124		\$7,047,323.60
Total:		3,112,751		\$107,289,917.39

83. While defendants Mederios, Blutt, Bailey, Cartt, Young, Thompson, and Farrell sold some their personally-held Company stock pursuant to 10b5-1 plans, these plans were adopted after the misconduct had already begun. As such, Mederios, Blutt, Bailey, Cartt, Young, Thompson, and Farrell knew that Questcor's stock was artificially inflated due to their improper statements when adopting the 10b5-1 plans, and cannot avail themselves of the inference that they did not trade on the material adverse, non-public information.

DAMAGES TO QUESTCOR

84. As a result of the Individual Defendants' improprieties, Questcor disseminated improper, public statements concerning the Company's business prospects. These improper statements have devastated Questcor's credibility, corporate image, and goodwill as reflected by the Company's over \$2.3 billion, or almost 67%, market capitalization loss after the truth was released concerning its improper marketing practices and overstated business prospects. For at least the

1 foreseeable future, Questcor will suffer from what is known as the "liar's discount,"
2 a term applied to the stocks of companies who have been implicated in improper
3 behavior and have misled the investing public, such that Questcor's ability to raise
4 equity capital or debt on favorable terms in the future is impaired. In addition, the
5 Company will now likely face increased levels of scrutiny when it seeks
6 reimbursements from the U.S. government.

7 85. Further, as a direct and proximate result of the Individual Defendants'
8 actions, Questcor has expended, and will continue to expend, significant sums of
9 money. Such expenditures include, but are not limited to:

10 (a) costs incurred in investigating and defending Questcor and
11 certain officers and directors in the pending Securities Class Actions;

12 (b) costs incurred from paying any potential settlement or adverse
13 judgment in the pending Securities Class Actions;

14 (c) costs incurred in responding to the U.S. government
15 investigation into the Company's promotional practices;

16 (d) costs incurred from paying any potential fines to the U.S.
17 government;

18 (e) costs incurred from repurchasing almost \$185 million of the
19 Company's own stock at artificially inflated prices; and

20 (f) costs incurred from compensation and benefits paid to the
21 defendants who have breached their duties to Questcor.

22 **DERIVATIVE AND DEMAND FUTILITY ALLEGATIONS**

23 86. Plaintiff brings this action derivatively in the right and for the benefit
24 of Questcor to redress injuries suffered, and to be suffered, by Questcor as a direct
25 result of the breaches of fiduciary duty, waste of corporate assets, and unjust
26 enrichment by the Individual Defendants. Questcor is named as a nominal
27 defendant solely in a derivative capacity. This is not a collusive action to confer
28 jurisdiction on this Court that it would not otherwise have.

1 87. Plaintiff will adequately and fairly represent the interests of Questcor
2 in enforcing and prosecuting its rights.

3 88. Plaintiff was a shareholder of Questcor at the time of the wrongdoing
4 complained of, has continuously been a shareholder since that time, and is a
5 current Questcor shareholder.

6 89. The current Board of Questcor consists of the following seven
7 individuals: defendants Bailey, Thompson, Blutt, Bradsher, Farrell, Silverman, and
8 Whitcup. Plaintiff has not made any demand on the Board because such a demand
9 would be a futile and useless act, particularly for the reasons stated below.

10 **Demand Is Excused Because the Director Defendants' Conduct Is Not a Valid**
11 **Exercise of Business Judgment**

12 90. The Director Defendants' challenged misconduct at the heart of this
13 case constitutes the direct facilitation of improper business practices, and violations
14 of federal securities laws and regulations that threaten the Company's very
15 survival. As the ultimate decision-making body of the Company, the Board
16 affirmatively adopted, implemented, and condoned a business strategy and model
17 based on deliberate and widespread improper activities. Defendants Bailey,
18 Thompson, Blutt, Bradsher, Farrell, Silverman, and Whitcup allowed and oversaw
19 Questcor's improper marketing of Acthar, which has exposed the Company to a
20 U.S. government investigation into its promotional practices. Bailey, Thompson,
21 Blutt, Bradsher, Farrell, Silverman, and Whitcup were confronted with numerous
22 reports about the improprieties of the Company's business practices but authorized
23 the Company to deny the claims, and, just as importantly, continue to have the
24 Company operate in this improper manner. As a result of these actions, Questcor
25 will now likely face increased levels of scrutiny when it seeks reimbursements
26 from the U.S. government for its products. Causing the Company to engage in
27 improper and illegal conduct that threatens its survival is not a protected business
28

1 decision and such conduct can in no way be considered a valid exercise of business
2 judgment. Accordingly, demand on the Board is excused.

3 91. Defendants Bailey's, Thompson's, Blutt's, Bradsher's, Farrell's,
4 Silverman's, and Whitcup's authorizations to repurchase the Company's stock at
5 artificially inflated rates were not protected business decisions. Bailey, Thompson,
6 Blutt, Bradsher, Farrell, Silverman, and Whitcup were specifically empowered
7 with the authority to limit or terminate the stock repurchase program at any time
8 without prior notice. Despite this power, and even though Bailey, Thompson,
9 Blutt, Bradsher, Farrell, Silverman, and Whitcup knew or recklessly disregarded
10 the fact that the value of the Company was inflated due to improper statements
11 regarding Company's business prospects, these defendants directed or permitted
12 the Company to materially overpay for its own stock. Even worse, Bailey,
13 Thompson, Blutt, Bradsher, Farrell, Silverman, and Whitcup expanded the original
14 February 2008 stock repurchase plan by an additional five million shares.

15 **Demand Is Excused Because a Majority of the Current Board Faces a**
16 **Substantial Likelihood of Liability for Their Misconduct**

17 92. Defendants Bailey's, Thompson's, Blutt's, Bradsher's, Farrell's,
18 Silverman's, and Whitcup's multiple authorizations and repurchases of the
19 Company's stock at artificially inflated rates, and failure to limit or terminate the
20 stock repurchase program, was in breach of their fiduciary duty and resulted in
21 corporate waste. Accordingly, Bailey, Thompson, Blutt, Bradsher, Farrell,
22 Silverman, and Whitcup face a substantial likelihood of liability for breaching their
23 fiduciary duty of loyalty and wasting corporate assets, rendering any demand upon
24 them futile.

25 93. Defendants Blutt, Bailey, Thompson, and Farrell, constituting four of
26 the seven current members of the Board, sold Questcor stock under highly
27 suspicious circumstances. As detailed above, Blutt, Bailey, Thompson, and
28 Farrell, as officers and/or directors of the Company, possessed material, non-public

1 company information and used that information to benefit themselves. These
2 insiders sold stock based on this knowledge of material, non-public information
3 concerning the Company's financial condition, future business prospects, and
4 outlook. As alleged herein, Blutt, Bailey, Thompson, and Farrell's trading was
5 suspicious in timing and amount. Blutt sold 706,255, or over 76% of his shares,
6 for proceeds of \$25,162,724.77. Bailey sold 440,000, or almost 75% of his shares,
7 for proceeds of \$17,718,533.35. Thompson sold 167,500, or over 91% of his
8 shares, for proceeds of \$3,413,650. Farrell sold 55,000, or over 86% of his shares,
9 for proceeds of \$2,353,622.64. Accordingly, Blutt, Bailey, Thompson, and Farrell
10 face a substantial likelihood of liability for breaching their fiduciary duty of
11 loyalty, rendering any demand upon them futile.

12 94. As explained above, defendant Bailey breached his fiduciary duties by
13 making improper statements in the Company's press releases and SEC filings
14 regarding the Company's business prospects.

15 95. Defendants Blutt, Thompson, and Farrell, as members of the Audit
16 Committee, reviewed and approved the improper statements and misleading
17 financial results. The Audit Committee's Charter provides that it is responsible for
18 compliance with legal and regulatory requirements. Moreover, the Audit
19 Committee Defendants were specifically tasked with "review[ing] and approv[ing]
20 the Company's earnings press releases, guidance, and quarterly and annual
21 financial statements." Thus, the Audit Committee Defendants are responsible for
22 knowingly or recklessly allowing the improper statements regarding the
23 Company's business prospects. Despite their knowledge, or with reckless
24 disregard, the Audit Committee Defendants caused, and additionally in some
25 instances signed, these improper statements. Accordingly, the Audit Committee
26 Defendants breached their fiduciary duty of loyalty and good faith because they
27 participated in the wrongdoing described herein. Thus, the Audit Committee
28

1 Defendants face a substantial likelihood of liability for their breach of fiduciary
2 duties. Any demand upon them is futile.

3 96. Defendants Farrell, Whitcup, and Thompson, as members of the
4 Compliance Committee, breached their fiduciary duty of loyalty by failing to
5 monitor the Company's compliance with "significant healthcare related" and
6 "regulatory issues." Farrell, Whitcup, and Thompson completely and utterly failed
7 in their duty to police the Company's compliance with "U.S. pharmaceutical
8 product promotional rules and regulations, including with respect to ... product
9 promotional activities, unapproved product uses," as required by the Compliance
10 Committee Charter in effect at the time. Farrell, Whitcup, and Thompson allowed
11 and oversaw Questcor's improper marketing of Acthar for indications other than
12 infantile spasms, which has exposed the Company to a U.S. government
13 investigation into its promotional practices. According, any demand upon the
14 Compliance Committee Defendants is futile.

15 97. Defendants Bailey, Thompson, Blutt, Bradsher, Farrell, Silverman,
16 and Whitcup, all seven members of the Board, breached their duty of loyalty by
17 failing to implement adequate internal controls and procedures to ensure the
18 accuracy of the Company's disclosures. Bailey, Thompson, Blutt, Bradsher,
19 Farrell, Silverman, and Whitcup also failed to prevent the other Individual
20 Defendants from committing this wrongdoing. As a result of Bailey, Thompson,
21 Blutt, Bradsher, Farrell, Silverman, and Whitcup's course of conduct, the Company
22 is now the subject of the Securities Class Actions.

23 98. The acts complained of constitute violations of the fiduciary duties
24 owed by Questcor's officers and directors and these acts are incapable of
25 ratification.

26 99. Questcor has been and will continue to be exposed to significant
27 losses due to the wrongdoing complained of herein, yet the Individual Defendants
28 and current Board have not filed any lawsuits against themselves or others who

1 were responsible for that wrongful conduct to attempt to recover for Questcor any
2 part of the damages Questcor suffered and will suffer thereby.

3 100. Plaintiff has not made any demand on the other shareholders of
4 Questcor to institute this action since such demand would be a futile and useless
5 act for at least the following reasons:

6 (a) Questcor is a publicly held company with over 59.6 million
7 shares outstanding and thousands of shareholders;

8 (b) making demand on such a number of shareholders would be
9 impossible for plaintiff who has no way of finding out the names, addresses, or
10 phone numbers of shareholders; and

11 (c) making demand on all shareholders would force plaintiff to
12 incur excessive expenses, assuming all shareholders could be individually
13 identified.

14 **COUNT I**

15 **Against Individual Defendants for Breach of Fiduciary Duty**

16 101. Plaintiff incorporates by reference and realleges each and every
17 allegation contained above, as though fully set forth herein.

18 102. The Individual Defendants owed and owe Questcor fiduciary
19 obligations. By reason of their fiduciary relationships, the Individual Defendants
20 owed and owe Questcor the highest obligation of good faith, fair dealing, loyalty,
21 and due care.

22 103. Each of the Individual Defendants violated and breached their
23 fiduciary duties. More specifically, the Individual Defendants violated their duty
24 of loyalty by creating a culture of lawlessness within Questcor, and/or consciously
25 failing to prevent to Company from engaging in the unlawful acts complained of
26 herein.

27 104. The Officer Defendants, Bailey, Mulroy, Cartt, and Young,
28 knowingly, recklessly, or with gross negligence: (i) made improper statements in

1 the Company's press releases and public filings concerning the Company's business
2 prospects, including, but not limited to, the effectiveness of, and potential market
3 growth for, Acthar; and (ii) failed to ensure that reliable systems of financial
4 controls and reporting were in place at the Company. Officer Defendant Medeiros
5 knowingly, recklessly, or with gross negligence failed to ensure that reliable
6 systems of financial controls and reporting were in place at the Company.

7 105. The Director Defendants, Bailey, Blutt, Thompson, Farrell, Bradsher,
8 Silverman, and Whitcup, as directors of the Company, owed Questcor the highest
9 duty of loyalty. The Director Defendants knowingly or recklessly breached their
10 duty of loyalty by: (i) causing Questcor to repurchase Company shares, and failing
11 to halt the repurchases of shares, while Questcor's share price was artificially
12 inflated as a result of improper statements regarding Questcor's business prospects;
13 and (ii) failing to ensure that reliable systems of financial controls and reporting
14 were in place at the Company. The stock repurchases were made for improper
15 purposes as alleged herein. These actions could not have been a good faith
16 exercise of prudent business judgment to protect and promote Questcor's best
17 interests.

18 106. The Audit Committee Defendants, Blutt, Farrell, and Thompson,
19 breached their fiduciary duty of loyalty by approving the statements described
20 herein that were made during their tenure on the Audit Committee, which they
21 knew or were reckless in not knowing contained improper statements and
22 omissions. The Audit Committee Defendants completely and utterly failed in their
23 duty of oversight, and Blutt, Farrell, and Thompson failed in their duty to
24 appropriately review financial results, as required by the Audit Committee Charter
25 in effect at the time.

26 107. The Compliance Committee Defendants, Farrell, Whitcup, and
27 Thompson, breached their fiduciary duty of loyalty by failing to monitor the
28 Company's compliance with "significant healthcare related" and "regulatory

1 issues." Farrell, Whitcup, and Thompson completely and utterly failed in their
2 duty to police the Company's compliance with "U.S. pharmaceutical product
3 promotional rules and regulations, including with respect to... product promotional
4 activities, unapproved product uses." As a result, the Company is now the subject
5 of a U.S. government investigation into its promotional practices.

6 108. The Insider Selling Defendants, Mederios, Blutt, Bailey, Cartt,
7 Young, Thompson, and Farrell, breached their duty of loyalty by selling Questcor
8 stock on the basis of the knowledge of the improper information described above
9 before that information was revealed to the Company's shareholders. The
10 information described above was proprietary, non-public information concerning
11 the Company's current and future business prospects. It was a proprietary asset
12 belonging to the Company, which Mederios, Blutt, Bailey, Cartt, Young,
13 Thompson, and Farrell used for their own benefit when they sold Questcor
14 common stock.

15 109. As a direct and proximate result of the Individual Defendants'
16 breaches of their fiduciary duties, Questcor has sustained substantial damages,
17 including direct monetary damages and damages to its reputation and goodwill in
18 the capital markets. As a result of the misconduct alleged herein, the Individual
19 Defendants are liable to the Company.

20 110. Plaintiff, on behalf of Questcor, has no adequate remedy at law.

21 **COUNT II**

22 **Against All Director Defendants for Waste of Corporate Assets**

23 111. Plaintiff incorporates by reference and realleges each and every
24 allegation contained above, as though fully set forth herein.

25 112. As a result of the misconduct described above, the Individual
26 Defendants have wasted corporate assets by failing to consider the interests of the
27 Company and its public shareholders. The Individual Defendants failed to conduct
28 proper supervision in connection with the payment of \$185 million to repurchase

1 shares of the Company's stock on the open market when the Individual Defendants
2 knew and/or consciously disregarded the fact that the stock price was artificially
3 inflated by improper statements concerning the Company's business prospects.

4 113. Moreover, as a result of the Individual Defendants' failure to
5 implement adequate internal controls to ensure that the Company's public
6 statements and financial results were accurate, defendants made improper
7 statements in the Company's press releases and public filings. As a result,
8 Questcor is now subject to the Securities Class Actions. The Individual
9 Defendants have caused Questcor to waste its assets by forcing it to defend itself in
10 the ongoing litigation, in addition to any ensuing costs from a potential settlement
11 or adverse judgment. Further, the Individual Defendants have caused Questcor to
12 waste its assets by paying improper compensation and bonuses to certain of its
13 executive officers and directors that breached their fiduciary duty.

14 114. The Individual Defendants are liable to the Company for these acts of
15 waste.

16 115. Plaintiff, on behalf of Questcor, has no adequate remedy at law.

17 **COUNT III**

18 **Against Individual Defendants for Unjust Enrichment**

19 116. Plaintiff incorporates by reference and realleges each and every
20 allegation set forth above, as though fully set forth herein.

21 117. By their wrongful acts and omissions, the Individual Defendants were
22 unjustly enriched at the expense of and to the detriment of Questcor. Their unjust
23 enrichment includes, but is not limited to, compensation, bonuses, stock options
24 awards, and benefits paid to the Individual Defendants while they were breaching
25 their fiduciary duties of care, loyalty, and good faith to Questcor, and violating
26 federal and state laws.

27 118. Moreover, the Insider Selling Defendants, Mederios, Blutt, Bailey,
28 Cartt, Young, Thompson, and Farrell, sold Questcor stock while in possession of

1 material adverse, non-public information that artificially inflated the price of
2 Questcor stock. As a result, Mederios, Blutt, Bailey, Cartt, Young, Thompson, and
3 Farrell profited from their misconduct and were unjustly enriched through their
4 exploitation of material and adverse inside information.

5 119. The Individual Defendants' unjust enrichment was directly related to
6 the impoverishment of Questcor.

7 120. Plaintiff, as a shareholder and representative of Questcor, seeks
8 restitution from these Individual Defendants, and each of them, and seeks an order
9 of this Court disgorging all profits, benefits and other compensation obtained by
10 these defendants, and each of them, from their wrongful conduct and fiduciary
11 breaches.

12 **PRAYER FOR RELIEF**

13 WHEREFORE, plaintiff demands judgment as follows:

14 A. Against all of the defendants and in favor of the Company for the
15 amount of damages sustained by the Company as a result of the defendants'
16 breaches of fiduciary duties, waste of corporate assets, and unjust enrichment;

17 B. Directing Questcor to take all necessary actions to reform and
18 improve its corporate governance and internal procedures to comply with
19 applicable laws and to protect Questcor and its shareholders from a repeat of the
20 damaging events described herein, including, but not limited to, putting forward
21 for shareholder vote resolutions for amendments to the Company's By-Laws or
22 Articles of Incorporation and taking such other action as may be necessary to place
23 before shareholders for a vote the following Corporate Governance Policies:

- 24 1. a proposal to control insider selling;
- 25 2. a proposal to strengthen the Company's disclosure controls and
26 procedures;
- 27 3. a proposal to ensure that Questcor prudently expends funds in
28 stock repurchase programs;

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Attorneys for Plaintiff

773012

VERIFICATION

I, James Tripoli, hereby declare as follows:

I am the plaintiff in the within entitled action. I have read the Verified Shareholder Derivative Complaint for Breach of Fiduciary Duty, Waste of Corporate Assets, and Unjust Enrichment. Based upon discussions with and reliance upon my counsel, and as to those facts of which I have personal knowledge, the Complaint is true and correct to the best of my knowledge, information, and belief.

I declare under penalty of perjury that the foregoing is true and correct.

Signed and Accepted:

Dated: 10/08/2012



JAMES TRIPOLI

**UNITED STATES DISTRICT COURT
CENTRAL DISTRICT OF CALIFORNIA**

NOTICE OF ASSIGNMENT TO UNITED STATES MAGISTRATE JUDGE FOR DISCOVERY

This case has been assigned to District Judge Andrew Guilford and the assigned discovery Magistrate Judge is Marc Goldman.

The case number on all documents filed with the Court should read as follows:

SACV12- 1759 AG (MLGx)

Pursuant to General Order 05-07 of the United States District Court for the Central District of California, the Magistrate Judge has been designated to hear discovery related motions.

All discovery related motions should be noticed on the calendar of the Magistrate Judge

=====

NOTICE TO COUNSEL

A copy of this notice must be served with the summons and complaint on all defendants (if a removal action is filed, a copy of this notice must be served on all plaintiffs).

Subsequent documents must be filed at the following location:

☐ **Western Division**
312 N. Spring St., Rm. G-8
Los Angeles, CA 90012

☐ **Southern Division**
411 West Fourth St., Rm. 1-053
Santa Ana, CA 92701-4516

☐ **Eastern Division**
3470 Twelfth St., Rm. 134
Riverside, CA 92501

Failure to file at the proper location will result in your documents being returned to you.

Name & Address:

Brian J. Robbins (190264)
 ROBBINS UMEDA LLP
 600 B Street, Suite 1900
 San Diego, CA 92101

UNITED STATES DISTRICT COURT
 CENTRAL DISTRICT OF CALIFORNIA

JAMES TRIPOLI, Derivatively on Behalf of
 QUESTCOR PHARMACEUTICALS, INC.,

CASE NUMBER

PLAINTIFF(S)

SACV12 - 01759 AG (MLGx)

v.

DON M. BAILEY, MICHAEL H. MULROY,
 STEPHEN L. CARTT, DAVID YOUNG,
 (See Attachment A)

SUMMONS

DEFENDANT(S).

TO: DEFENDANT(S):

A lawsuit has been filed against you.

Within 21 days after service of this summons on you (not counting the day you received it), you must serve on the plaintiff an answer to the attached ☒ complaint ☐ _____ amended complaint ☐ counterclaim ☐ cross-claim or a motion under Rule 12 of the Federal Rules of Civil Procedure. The answer or motion must be served on the plaintiff's attorney, Brian J. Robbins, whose address is ROBBINS UMEDA LLP, 600 B Street, Suite 1900, San Diego, CA 92101. If you fail to do so, judgment by default will be entered against you for the relief demanded in the complaint. You also must file your answer or motion with the court.

Dated: OCT 11 2012

Clerk, U.S. District Court

Lori Wagers
LORI WAGERS

By: _____
Deputy Clerk

(Seal of the Court)



[Use 60 days if the defendant is the United States or a United States agency, or is an officer or employee of the United States. Allowed 60 days by Rule 12(a)(3)].

ATTACHMENT "A" TO SUMMONS
(Defendants)

DAVID J. MEDEIROS, MITCHELL J. BLUTT, VIRGIL D. THOMPSON,
STEPHEN C. FARRELL, NEAL C. BRADSHER, LOUIS E. SILVERMAN, and
SCOTT M. WHITCUP,

Defendants,

-and-

QUESTCOR PHARMACEUTICALS, INC., a California corporation,

Nominal Defendant.

I (a) PLAINTIFFS (Check box if you are representing yourself <input type="checkbox"/> JAMES TRIPOLI, Derivatively on Behalf of QUESTCOR PHARMACEUTICALS, INC.	DEFENDANTS DON M. BAILEY, MICHAEL H. MULROY, STEPHEN L. CARTT, DAVID YOUNG, DAVID J. MEDEIROS, MITCHELL J. BLUTT, VIRGIL D. THOMPSON, STEPHEN C. FARRELL, NEAL C. BRADSHAW, et al.
(b) Attorneys (Firm Name, Address and Telephone Number. If you are representing yourself, provide same.) ROBBINS UMEDA LLP, 600 B Street, Suite 1900, San Diego, California 92101; (619) 525-3990	Attorneys (If Known)

II. BASIS OF JURISDICTION (Place an X in one box only.) <input type="checkbox"/> 1 U.S. Government Plaintiff <input type="checkbox"/> 3 Federal Question (U.S. Government Not a Party) <input type="checkbox"/> 2 U.S. Government Defendant <input checked="" type="checkbox"/> 4 Diversity (Indicate Citizenship of Parties in Item III)	III. CITIZENSHIP OF PRINCIPAL PARTIES - For Diversity Cases Only (Place an X in one box for plaintiff and one for defendant.) <table style="width:100%; border: none;"> <tr> <td style="width:30%;"></td> <td style="width:10%; text-align: center;">PTF</td> <td style="width:10%; text-align: center;">DEF</td> <td style="width:40%;"></td> <td style="width:10%; text-align: center;">PTF</td> <td style="width:10%; text-align: center;">DEF</td> </tr> <tr> <td>Citizen of This State</td> <td style="text-align: center;"><input type="checkbox"/> 1</td> <td style="text-align: center;"><input type="checkbox"/> 1</td> <td>Incorporated or Principal Place of Business in this State</td> <td style="text-align: center;"><input type="checkbox"/> 4</td> <td style="text-align: center;"><input checked="" type="checkbox"/> 4</td> </tr> <tr> <td>Citizen of Another State</td> <td style="text-align: center;"><input checked="" type="checkbox"/> 2</td> <td style="text-align: center;"><input type="checkbox"/> 2</td> <td>Incorporated and Principal Place of Business in Another State</td> <td style="text-align: center;"><input type="checkbox"/> 5</td> <td style="text-align: center;"><input type="checkbox"/> 5</td> </tr> <tr> <td>Citizen or Subject of a Foreign Country</td> <td style="text-align: center;"><input type="checkbox"/> 3</td> <td style="text-align: center;"><input type="checkbox"/> 3</td> <td>Foreign Nation</td> <td style="text-align: center;"><input type="checkbox"/> 6</td> <td style="text-align: center;"><input type="checkbox"/> 6</td> </tr> </table>		PTF	DEF		PTF	DEF	Citizen of This State	<input type="checkbox"/> 1	<input type="checkbox"/> 1	Incorporated or Principal Place of Business in this State	<input type="checkbox"/> 4	<input checked="" type="checkbox"/> 4	Citizen of Another State	<input checked="" type="checkbox"/> 2	<input type="checkbox"/> 2	Incorporated and Principal Place of Business in Another State	<input type="checkbox"/> 5	<input type="checkbox"/> 5	Citizen or Subject of a Foreign Country	<input type="checkbox"/> 3	<input type="checkbox"/> 3	Foreign Nation	<input type="checkbox"/> 6	<input type="checkbox"/> 6
	PTF	DEF		PTF	DEF																				
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Citizen of Another State	<input checked="" type="checkbox"/> 2	<input type="checkbox"/> 2	Incorporated and Principal Place of Business in Another State	<input type="checkbox"/> 5	<input type="checkbox"/> 5																				
Citizen or Subject of a Foreign Country	<input type="checkbox"/> 3	<input type="checkbox"/> 3	Foreign Nation	<input type="checkbox"/> 6	<input type="checkbox"/> 6																				

IV. ORIGIN (Place an X in one box only.)
☒ 1 Original Proceeding ☐ 2 Removed from State Court ☐ 3 Remanded from Appellate Court ☐ 4 Reinstated or Reopened ☐ 5 Transferred from another district (specify): ☐ 6 Multi-District Litigation ☐ 7 Appeal to District Judge from Magistrate Judge

V. REQUESTED IN COMPLAINT: JURY DEMAND: ☒ Yes ☐ No (Check "Yes" only if demanded in complaint.)
CLASS ACTION under F.R.C.P. 23: ☐ Yes ☒ No **MONEY DEMANDED IN COMPLAINT:** \$

VI. CAUSE OF ACTION (Cite the U.S. Civil Statute under which you are filing and write a brief statement of cause. Do not cite jurisdictional statutes unless diversity.)
 28 U.S.C. §1332; Shareholder Derivative Complaint for Breach of Fiduciary Duty, Waste of Corporate Assets, and Unjust Enrichment

VII. NATURE OF SUIT (Place an X in one box only.)

OTHER STATUTES <input type="checkbox"/> 400 State Reapportionment <input type="checkbox"/> 410 Antitrust <input type="checkbox"/> 430 Banks and Banking <input type="checkbox"/> 450 Commerce/ICC Rates/etc. <input type="checkbox"/> 460 Deportation <input type="checkbox"/> 470 Racketeer Influenced and Corrupt Organizations <input type="checkbox"/> 480 Consumer Credit <input type="checkbox"/> 490 Cable/Sat TV <input type="checkbox"/> 810 Selective Service <input type="checkbox"/> 850 Securities/Commodities/Exchange <input type="checkbox"/> 875 Customer Challenge 12 USC 3410 <input type="checkbox"/> 890 Other Statutory Actions <input type="checkbox"/> 891 Agricultural Act <input type="checkbox"/> 892 Economic Stabilization Act <input type="checkbox"/> 893 Environmental Matters <input type="checkbox"/> 894 Energy Allocation Act <input type="checkbox"/> 895 Freedom of Info. Act <input type="checkbox"/> 900 Appeal of Fee Determination Under Equal Access to Justice <input type="checkbox"/> 950 Constitutionality of State Statutes	CONTRACT <input type="checkbox"/> 110 Insurance <input type="checkbox"/> 120 Marine <input type="checkbox"/> 130 Miller Act <input type="checkbox"/> 140 Negotiable Instrument <input type="checkbox"/> 150 Recovery of Overpayment & Enforcement of Judgment <input type="checkbox"/> 151 Medicare Act <input type="checkbox"/> 152 Recovery of Defaulted Student Loan (Excl. Veterans) <input type="checkbox"/> 153 Recovery of Overpayment of Veteran's Benefits <input checked="" type="checkbox"/> 160 Stockholders' Suits <input type="checkbox"/> 190 Other Contract <input type="checkbox"/> 193 Contract Product Liability <input type="checkbox"/> 196 Franchise REAL PROPERTY <input type="checkbox"/> 210 Land Condemnation <input type="checkbox"/> 220 Foreclosure <input type="checkbox"/> 230 Rent Lease & Ejectment <input type="checkbox"/> 240 Torts to Land <input type="checkbox"/> 245 Tort Product Liability <input type="checkbox"/> 290 All Other Real Property	TORTS PERSONAL INJURY <input type="checkbox"/> 310 Airplane <input type="checkbox"/> 315 Airplane Product Liability <input type="checkbox"/> 320 Assault, Libel & Slander <input type="checkbox"/> 330 Fed. Employers' Liability <input type="checkbox"/> 340 Marine <input type="checkbox"/> 345 Marine Product Liability <input type="checkbox"/> 350 Motor Vehicle <input type="checkbox"/> 355 Motor Vehicle Product Liability <input type="checkbox"/> 360 Other Personal Injury <input type="checkbox"/> 362 Personal Injury-Med Malpractice <input type="checkbox"/> 365 Personal Injury-Product Liability <input type="checkbox"/> 368 Asbestos Personal Injury Product Liability IMMIGRATION <input type="checkbox"/> 462 Naturalization Application <input type="checkbox"/> 463 Habeas Corpus-Alien Detainee <input type="checkbox"/> 465 Other Immigration Actions	TORTS PERSONAL PROPERTY <input type="checkbox"/> 370 Other Fraud <input type="checkbox"/> 371 Truth in Lending <input type="checkbox"/> 380 Other Personal Property Damage <input type="checkbox"/> 385 Property Damage Product Liability BANKRUPTCY <input type="checkbox"/> 422 Appeal 28 USC 158 <input type="checkbox"/> 423 Withdrawal 28 USC 157 CIVIL RIGHTS <input type="checkbox"/> 441 Voting <input type="checkbox"/> 442 Employment <input type="checkbox"/> 443 Housing/Accommodations <input type="checkbox"/> 444 Welfare <input type="checkbox"/> 445 American with Disabilities - Employment <input type="checkbox"/> 446 American with Disabilities - Other <input type="checkbox"/> 440 Other Civil Rights	PRISONER PETITIONS <input type="checkbox"/> 510 Motions to Vacate Sentence <input type="checkbox"/> 530 Habeas Corpus <input type="checkbox"/> 535 General Death Penalty <input type="checkbox"/> 540 Mandamus/Other <input type="checkbox"/> 550 Civil Rights <input type="checkbox"/> 555 Prison Condition FORFEITURE/PENALTY <input type="checkbox"/> 610 Agriculture <input type="checkbox"/> 620 Other Food & Drug <input type="checkbox"/> 625 Drug Related Seizure of Property 21 USC 881 <input type="checkbox"/> 630 Liquor Laws <input type="checkbox"/> 640 R.R. & Truck <input type="checkbox"/> 650 Airline Regs <input type="checkbox"/> 660 Occupational Safety/Health <input type="checkbox"/> 690 Other	LABOR <input type="checkbox"/> 710 Fair Labor Standards Act <input type="checkbox"/> 720 Labor/Mgmt. Relations <input type="checkbox"/> 730 Labor/Mgmt. Reporting & Disclosure Act <input type="checkbox"/> 740 Railway Labor Act <input type="checkbox"/> 790 Other Labor Litigation <input type="checkbox"/> 791 Empl. Ret. Inc. Security Act PROPERTY RIGHTS <input type="checkbox"/> 820 Copyrights <input type="checkbox"/> 830 Patent <input type="checkbox"/> 840 Trademark SOCIAL SECURITY <input type="checkbox"/> 861 HIA (1395ff) <input type="checkbox"/> 862 Black Lung (923) <input type="checkbox"/> 863 DIWC/DIWW (405(g)) <input type="checkbox"/> 864 SSDI Title XVI <input type="checkbox"/> 865 RSI (405(g)) FEDERAL TAX SUITS <input type="checkbox"/> 870 Taxes (U.S. Plaintiff or Defendant) <input type="checkbox"/> 871 IRS-Third Party 26 USC 7609
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FOR OFFICE USE ONLY: Case Number: SACV12-01759-AG (MLGx)

AFTER COMPLETING THE FRONT SIDE OF FORM CV-71, COMPLETE THE INFORMATION REQUESTED BELOW.

VIII(a). IDENTICAL CASES: Has this action been previously filed in this court and dismissed, remanded or closed? ☒ No ☐ Yes

If yes, list case number(s): _____

VIII(b). RELATED CASES: Have any cases been previously filed in this court that are related to the present case? ☐ No ☒ Yes

If yes, list case number(s): 12-1623-DMG, 12-1707-DOC, 12-1708 -DOC, 12-1716-DOC, 12-1717-CJC, 12-1718-JST

Civil cases are deemed related if a previously filed case and the present case:

- (Check all boxes that apply) ☒ A. Arise from the same or closely related transactions, happenings, or events; or
☒ B. Call for determination of the same or substantially related or similar questions of law and fact; or
☒ C. For other reasons would entail substantial duplication of labor if heard by different judges; or
☐ D. Involve the same patent, trademark or copyright, and one of the factors identified above in a, b or c also is present.

IX. VENUE: (When completing the following information, use an additional sheet if necessary.)

(a) List the County in this District; California County outside of this District; State if other than California; or Foreign Country, in which EACH named plaintiff resides.

☐ Check here if the government, its agencies or employees is a named plaintiff. If this box is checked, go to item (b).

County in this District:*	California County outside of this District; State, if other than California; or Foreign Country
	James Tripoli, Chariton County, Missouri

(b) List the County in this District; California County outside of this District; State if other than California; or Foreign Country, in which EACH named defendant resides.

☐ Check here if the government, its agencies or employees is a named defendant. If this box is checked, go to item (c).

County in this District:*	California County outside of this District; State, if other than California; or Foreign Country
Questcor Pharmaceuticals, Inc., Don M. Bailey, Michael H. Mulroy, Louis E. Silverman, Scott M. Whitcup - Orange County	Stephen L. Cartt - San Mateo County; David J. Medeiros - Alameda County; Virgil D. Thompson - San Diego County; David Young - San Francisco County; Mitchell J. Blutt, Neal C. Bradsher - NY; Stephen C. Farrell - MA

(c) List the County in this District; California County outside of this District; State if other than California; or Foreign Country, in which EACH claim arose.

Note: In land condemnation cases, use the location of the tract of land involved.

County in this District:*	California County outside of this District; State, if other than California; or Foreign Country
Orange County	

* Los Angeles, Orange, San Bernardino, Riverside, Ventura, Santa Barbara, or San Luis Obispo Counties

Note: In land condemnation cases, use the location of the tract of land involved

X. SIGNATURE OF ATTORNEY (OR PRO PER):  Date October 11, 2012

Notice to Counsel/Parties: The CV-71 (JS-44) Civil Cover Sheet and the information contained herein neither replace nor supplement the filing and service of pleadings or other papers as required by law. This form, approved by the Judicial Conference of the United States in September 1974, is required pursuant to Local Rule 3-1 is not filed but is used by the Clerk of the Court for the purpose of statistics, venue and initiating the civil docket sheet. (For more detailed instructions, see separate instructions sheet.)

Key to Statistical codes relating to Social Security Cases:

Nature of Suit Code	Abbreviation	Substantive Statement of Cause of Action
861	HIA	All claims for health insurance benefits (Medicare) under Title 18, Part A, of the Social Security Act, as amended. Also, include claims by hospitals, skilled nursing facilities, etc., for certification as providers of services under the program. (42 U.S.C. 1935FF(b))
862	BL	All claims for "Black Lung" benefits under Title 4, Part B, of the Federal Coal Mine Health and Safety Act of 1969. (30 U.S.C. 923)
863	DIWC	All claims filed by insured workers for disability insurance benefits under Title 2 of the Social Security Act, as amended; plus all claims filed for child's insurance benefits based on disability. (42 U.S.C. 405(g))
863	DIWW	All claims filed for widows or widowers insurance benefits based on disability under Title 2 of the Social Security Act, as amended. (42 U.S.C. 405(g))
864	SSID	All claims for supplemental security income payments based upon disability filed under Title 16 of the Social Security Act, as amended.
865	RSI	All claims for retirement (old age) and survivors benefits under Title 2 of the Social Security Act, as amended. (42 U.S.C. (g))